SITI NETWORKS

# FROM EMPOWERING CHOICE TO TRANSFORMATIONAL OPPORTUNITY

## ANNUAL REPORT 2018-19

SITI NETWORKS LIMITED

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***MESSAGE FROM CHIEF PATRON***

***SITI – AN ENTITY GEARED TO HARNESS TRANSFORMATION OPPORTUNITY***

***DELIVERING EXPERIENTIAL ENTERTAINMENT***

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# THE CHANGING WORLD OF ENTERTAINMENT HAS CATALYSED A NEW LEVEL OF DYNAMISM IN THE INDUSTRY

## THE TELEVISION DISTRIBUTION LANDSCAPE IN INDIA IS IN THE MIDST OF A DRAMATIC TRANSFORMATION

The New Tariff Order (NTO) has unleashed a wave of empowerment for consumers, giving them the freedom to choose their own entertainment.

It has opened new vistas of opportunity for CATV players to power greater growth – more sustainable and holistic than ever before.

For us, at SITI, it is an opportunity to transform ourselves into a more progressive and profitable organisation. Even as the consumers revel in their new-found freedom, we have embarked, aggressively, on the next trajectory of our growth.

Redefining our strategic approach and revisiting our business model, we have set forth on a journey to harness the new opportunity to enhance the possibilities of engagement and entertainment for consumers.

# MESSAGE FROM CHIEF PATRON

**Dear Shareholders,**

It is with great pleasure and satisfaction that I connect with you at the end of an excellent year for SITI Networks, with industry-leading performance in a transformational environment triggered by the New Tariff Order (NTO).

**With its far-sighted vision and futuristic approach, SITI had been building the foundations of this transition for the past two years. Harnessing the wave of opportunity unleashed by NTO, SITI went forward aggressively to translate it into excellent growth, as underlined by the two-fold increase in EBIDTA (excluding activation). The 19% increase posted by SITI in subscription revenue, which went up to ₹ 9,537 million in FY 2019 from ₹ 7,997 million in FY 2018, further manifested the inherent strength of our business eco-system and our strategic roadmap.**

**With our deep consumer insights and pioneering initiatives, we, at SITI, have successfully developed the perfect portfolio of offerings to deliver consumer delight, while ensuring targeted, on-track growth for the Company.**

I personally think NTO was one of the best things that could have happened to the industry, the players in the value chain, and, most importantly, the consumers whose interests we, at SITI Networks, have always kept central to our business plans.

The NTO has plugged a major gap in the industry and will strengthen the business environment. The Local Cable Operators (LCOs), Multi-System Operator (MSOs) and broadcasters will definitely benefit in the new regime, which we welcome as a progressive step in the industry's journey.

With its far-sighted vision and futuristic approach, SITI had been building the foundations of this transition for the past two years. Harnessing the wave of opportunity unleashed by NTO, SITI went forward aggressively to translate it into excellent growth, as underlined by the two-fold increase in EBIDTA (excluding activation). The 19% increase posted by SITI in subscription revenue, which went up to ₹ 9,537 million in FY 2019 from ₹ 7,997 million in FY 2018, further manifested the inherent strength of our business eco-system and our strategic roadmap.

This growth is aligned to the realisation of our vision to be the preferred choice of consumers, as well as to the evolving media-scape, which has witnessed unprecedented change and expansion in recent years. The large-scale digitisation and Over-the-Top (OTT) revolution underway in the industry has changed not only the consumer aspirations but also the way the industry looks at content and the multitude of ancillary services it provides to the evolving consumers. With our deep consumer insights and pioneering initiatives, we have successfully developed the perfect portfolio of offerings to deliver consumer delight, while ensuring targeted, on-track business growth.

In my opinion, the current impact of digitisation and OTT on the industry is just the beginning. Our strategic agenda in the new business landscape will, in fact, be structured not just to the consumer needs for today but for the foreseeable future, necessitating an even bigger focus across every facet of the business value chain. From content to consumption patterns and delivery systems, we see a wave of game-changing innovations ushering in new opportunities for major players like SITI.

In this evolving milieu, I see SITI playing a vital role in shaping the contours of the industry's future, not just by providing a more experiential ambience to the consumers and other players in the value chain but to the society at large. As a responsible industry player, we have always been at the helm of the social transformation that India needs if it is to sustain and grow its progressive momentum. We are now extending this growth charter to a larger population through more impactful social interventions and investments to enable sustainable and holistic development.

We believe that such all-encompassing growth is imperative for propelling the socio-economic change needed to put India at the forefront of global progress. Steered by this belief, we shall, going forward, scale up our social engagement goals even more, to power such a national social change, just as we have led the industry transformation through the years.

On this note, I would like to conclude by congratulating and thanking every member of the SITI family for making it possible for us to power the internal transformation and growth which was imperative to stay ahead of the fast-paced developments in the external environ. I would also like to thank all our stakeholders for their steadfast faith and support, which will continue to take us to new frontiers of progress in the years ahead.

Best Wishes,

**Dr. Subhash Chandra**

# TRANSFORMING THROUGH THE YEARS

**1992**
Cable business started by Promoters

**1994**
Became the 1st MSO to be launched in India

**2007**
Implemented CAS in metros of Delhi, Mumbai and Kolkata; Became the 1st MSO to be listed on the stock exchanges

**2008**
Initiated mass digitisation through headend-in-the-sky (HITS) Services

**2009**
Right Issue of ₹ 4,500 million fully subscribed

**2012-2014**
DAS implemented in Phase-1/ Phase-2 Cities

**2014**
- Broadband launched in Delhi on DOCSIS 2/3 Technology
- Started providing 18 High-Definition (HD) Channels

## 2017

- Chosen to be a constituent of the Morgan Stanley Capital International (MSCI) India Domestic & Global Small Cap Index
- Started providing OTT services in partnership with Ditto TV; customer base at 60,000 subscribers
- Extended broadband presence in 3 cities of Haryana namely Hissar, Karnal and Rohtak
- Prepaid ongoing in select states with 1.2 million subscribers on prepaid across 134 locations
- Fund infusion of ₹ 1,500 million by Promoters

## 2016

Achieved financial turnaround for the first time in its history

## 2015

Raised ₹ 2,210 million from the secondary market via Qualified Institutional Placement (QIP) route in February 2015

## 2018

- Assigned long-term rating of "A-" by ICRA & CARE (The outlook on the long-term rating is stable)
- Seeded Industry-leading 3.1 million STBs across Phase 3 & 4

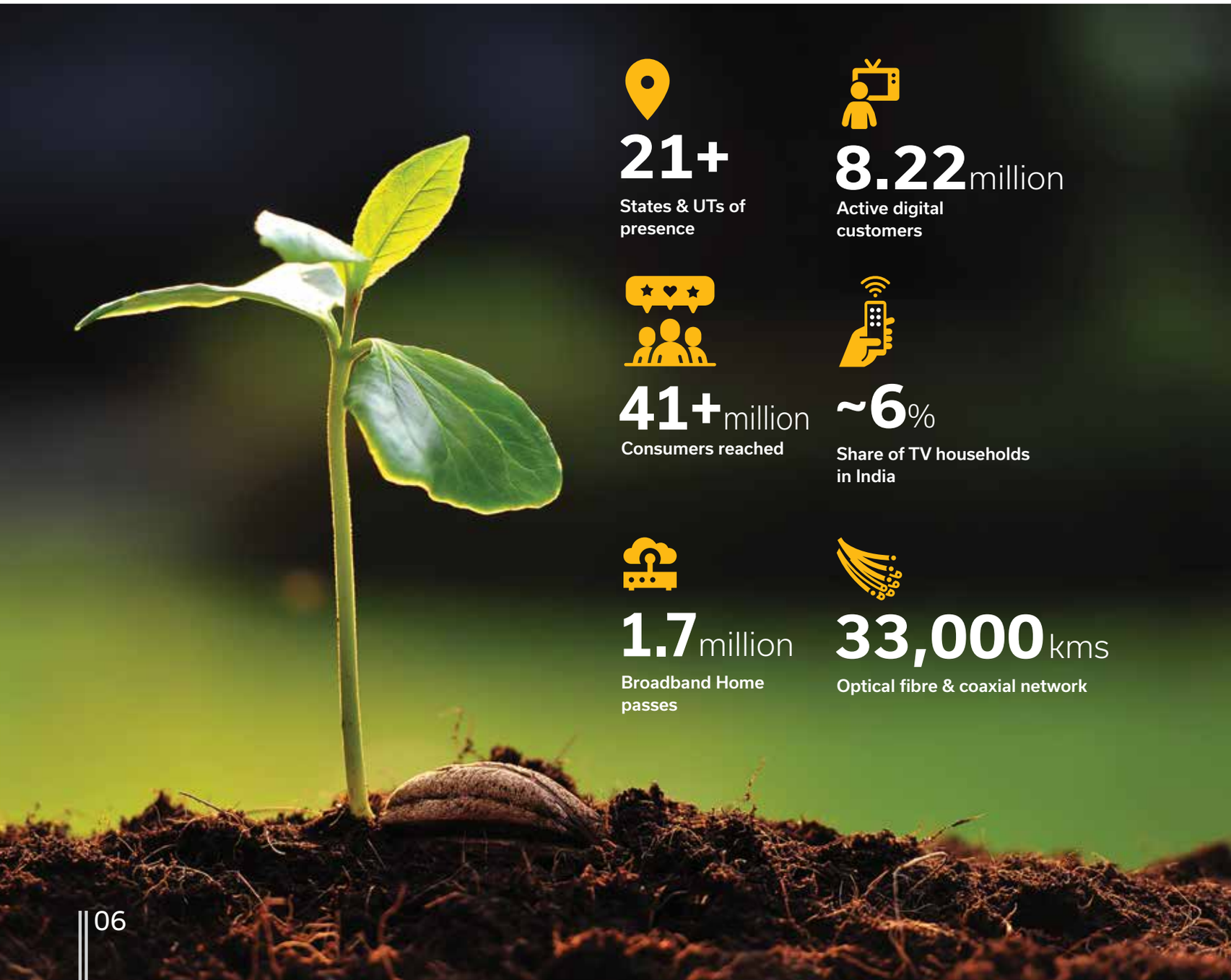
## 2019

- 2X increase in EBIDTA (excluding activation)
- ~19% increase in subscription revenue – to ₹9,537 million in FY 2019 from ₹7,997 million in FY 2018

# SITI – AN ENTITY GEARED TO HARNESS TRANSFORMATION OPPORTUNITY

Led by a consumer-centric approach and a large footprint spread across 580+ locations pan-India, SITI is part of the diversified Essel Group, from where we inherit the capabilities to leverage the new transformational opportunity triggered by the evolving industry and market needs.

The New Tariff Order (NTO), launched by the Telecom Regulatory Authority of India (TRAI) effective February 2019, has led to a change in our business model and we are focussed on strategically translating it into increased growth and value delivery for all our stakeholders.



**SITI Networks Limited** is India's leading digital TV network, powered by a strong legacy, and with core strengths aimed at catering tomorrow's opportunity, across Digital Cable Television and Broadband services.

## A rich corporate legacy

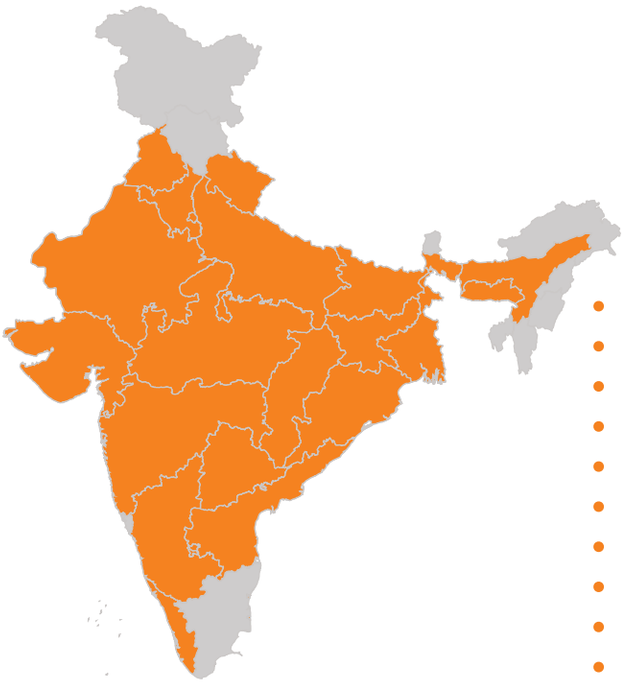
SITI Networks Limited, launched in 1994 as a 100% subsidiary of Zee Telefilms Limited, carries the proud legacy of Essel Group – a leading media business house spanning ~1.3 billion viewers in 171 countries through 75 channels. With a vertically integrated presence in Media & Entertainment, the Group has a large bouquet of diverse assets in Media, Packaging, Entertainment, Technology-enabled Services, Infrastructure Development and Education.

## Vision

To gain the leadership position in the industry as an integrated service provider by being the preferred choice of the consumer, and enhance consumer delight through offering superior content, quality and services by using advanced technology as an edge.

## Large customer outreach

Steered by our consumer-oriented business outlook, we are reaching out to consumers across markets and states pan-India.



*Map not to scale*

- Delhi
- Rajasthan
- Punjab
- Chandigarh
- Haryana
- Uttarakhand
- Gujarat
- Maharashtra
- Karnataka
- Kerala
- Andhra Pradesh
- Telangana
- Chhattisgarh
- Odisha
- Madhya Pradesh
- Jharkhand
- Bihar
- Uttar Pradesh
- West Bengal
- Assam
- Meghalaya

# WE CAN SEE THE OPPORTUNITY TO TRANSFORM, TRIGGERED BY THE NEW TARIFF ORDER

## FOR CONSUMERS

WHO ARE NOW EMPOWERED WITH THE FREEDOM TO SELECT THE CHANNEL/ BOUQUET THEY ARE INTERESTED IN AND PAY ONLY FOR THE CHANNELS THEY SUBSCRIBE TO!

## FOR BUSINESS PARTNERS

WHO NOW HAVE A LEVEL-PLAYING FIELD, WITH GREATER PRICE TRANSPARENCY, TO GROW FREELY AND MORE AGGRESSIVELY IN THE MARKETS OF THEIR PRESENCE!